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Tip Reporting: The 1st shockwaves

Operators, employees stunned by new law's ramifications

Sen. Robert Dole: *People who used to cheat on their taxes can't cheat anymore.*

By Joe Edwards

Confusion, anger and resentment are mounting in restaurants across the country as food-service operators and their tipped employees learn more about the complex and burdensome tip reporting provision of the 1982 Tederal Tax Law.

Faced with growing employee bitterness, bookkeeping headaches, increased administrative costs, and an avalanche of paperwork, independent and chain restaurant operators are complaining angrily about the new law and the Internal Revenue Service regulations drawn to implement it.

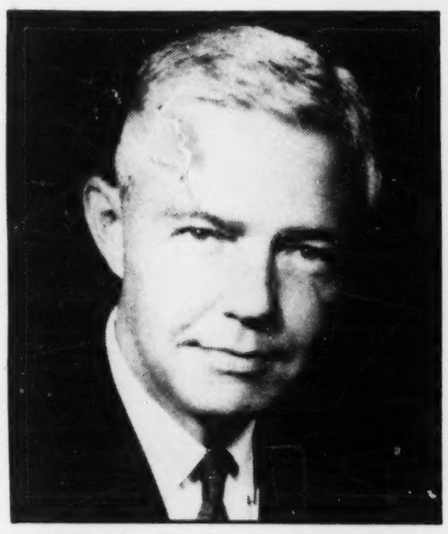
To their horror, some waiters and waitresses are actually receiving "negative paychecks" at the end of pay periods—owing money to their employers because of a quirk in the law. "This goes too far," complains Marilyn Lewis, chairman of Beverly Hills, Calif.-based Hamburger Hamlets.

"We feel if people are making tips they should be paying income tax, but it's the extra bookkeeping procedures that have us upset," says Florence Holten, head of the South Dakota Restaurant Association and a Sioux Falls caterer. "And this puts us in the position of being policemen and that causes hard feelings."

Industry trade groups are busy educating members about the new law and the confusing regulations and plan to present industry complaints to the IRS at a Feb. 8 public hearing. The National Restaurant Association may take their case to Capitol Hill in late spring to have the law amended or repealed.

Grassroots movements in several cities are forming to pressure Congress to amend or repeal

(Continued on page 76)



NRA's Robert Neville: *'Employers are bearing the brunt of this legislation.'*

FTC chief vows opposition to tougher franchising rules

By Ken Rankin

NEW ORLEANS—The Federal Trade Commission is ready to discourage state lawmakers from enacting restrictions on the power of fast-food chains to terminate franchisees, FTC Chairman James Miller told industry leaders at the International Franchise Association's annual convention here last month. (Other IFA convention coverage, Page 26.)

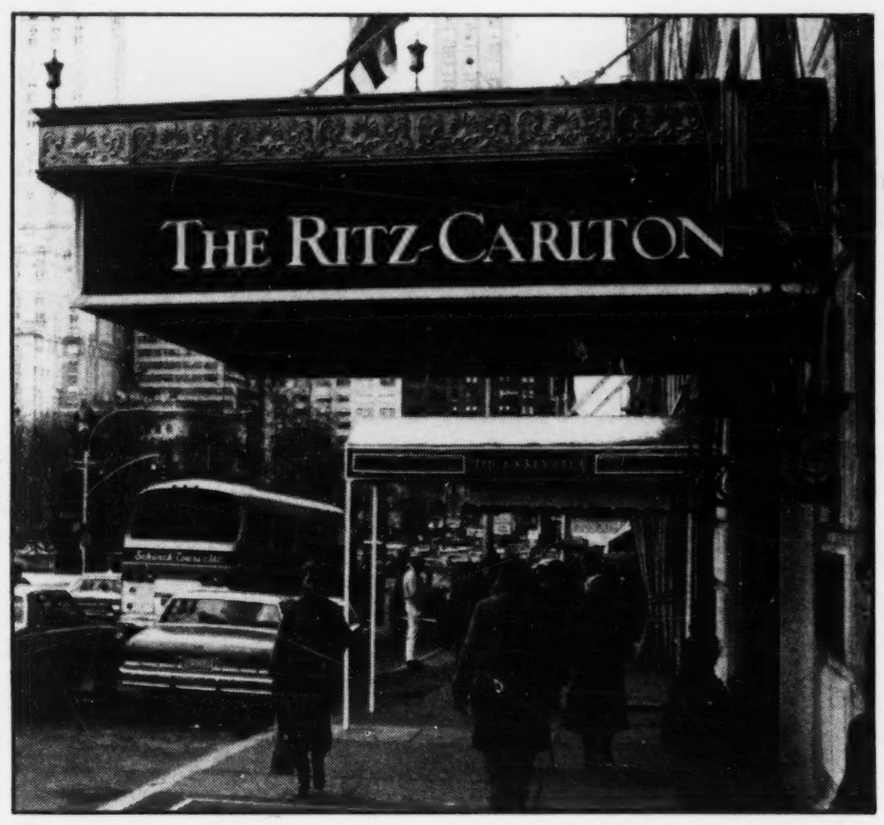
In disclosing what may be a major new Federal initiative to influence state ground rules governing franchising, Miller said FTC regulators would actively encourage legislation more hospitable to the nation's fast feeders.

"By the same token, we will likely oppose more obtrusive regulatory measures which inject Government overseers directly into the selling and quality control process," the FTC chairman said.

"In particular, the commission will likely criticize measures which impose onerous restrictions upon a franchisor's freedom to terminate a franchise or refuse to renew it," Miller told the chain execs.

Since the mid-1970's a number of states have enacted legislation limiting the ability of franchisors to unilaterally terminate or fail to renew licensing agreements with franchisees; last year such bills were introduced in at least seven states and the District of Columbia.

(Continued on page 76)



The 260-room Ritz-Carlton on New York City's Central Park South: low-key luxury without razzle-dazzle.

Coleman's Ritz-Carlton: A new approach to luxury

By Joe Edwards

NEW YORK—Working on the assumption that not everyone who pays $125 and more for a night at a luxury hotel wants atrium lobbies, cascading waterfalls, glass-enclosed elevators, and service staffers wearing corporate training class smiles, John B. Coleman has set out to redefine what a luxury hotel should be.

The latest example of his thoughts on the matter is the Ritz-Carlton, a 260-room property on Central Park south that is notable for its lack of razzle-dazzle and its steadfast emphasis on personal service, thoughtful amenities and low-keyed luxury.

Coleman, an investment banker whose firm, John B. Coleman & Co., owns several manufacturing operations including Drug Package Inc. of St. Louis, bought his first hotel in 1973. He has four properties worth an estimated $150 million. They are, in addition to the Ritz-Carlton in New York, the Fairfax in Washington and the Whitehall and the Tremont in Chicago.

Coleman bought the old Navarro Hotel in 1980 for $15 million and spent another $25-$30 million transforming it into the Ritz-Carlton. "The investment was worth it," Coleman says. "We wanted to create a small luxury hotel in New York worthy in every way of the famed Ritz-Carlton name and tradition."

(Continued on page 10)

Acquires Mannings

Service Systems expands reach

By Donald Jeffrey

CLARENCE, N.Y.—Service Systems, a 30-year-old food-service management firm based in this Buffalo suburb, has purchased Mannings Inc., a West Coast contract food-service company.

This is Service Systems' second major acquisition in a year. The purchase price was not disclosed.

Mannings, a 75-year-old San Francisco-based company, has about 300 food-service accounts in business and industry and in health-and life-care facilities throughout the West and Midwest. Once a cafeteria chain, Mannings in recent years closed all but three of its cafeterias. Sales in 1981 were about $135 million. The company also operates 14 deli-style units called The Haven in California, Washington, Nevada and Hawaii.

Robert D. Flickinger, Service Systems chairman, said the deal would "strengthen the company's presence in California and the Northwest."

This purchase by Service Systems, a subsidiary of R. J. Reynolds Del Monte Corp., is a major move toward its goal of a nearly fivefold increase in sales to $1 billion a year by the end of the decade.

"In the next five to eight years, acquisitions will play a major role," said executive vice president William Fisher in an interview.

Last year Service Systems made its first acquisition in 10 years—the Stouffer Management Food Service Corp., for an undisclosed price. Stouffer's clients included the Massachusetts Institute of Technology, American Express, New York Telephone, The First National Bank of Chicago, and the 650-bed Tucson Medical Center.

That acquisition has already had a positive impact on Service Systems' fortunes. Company

(Continued on page 75)

LATE NEWSBREAKS

Victoria Station posted a $1.9 million net loss for the third quarter ended Jan. 2, on sales of $33.5 million. Last year's third quarter produced a net profit of $186,000 on revenues of $36.6 million. The loss for the first nine months totals $3.1 million vs. a net profit of $1.3 million last year.

W. R. Grace's fast-food division, which under Lou Neeb operates Del Taco Mexican units, is set to acquire two T. J. Appleby's Atlanta casual pub restaurants from principal owner William Palmer and two partners. The 125-seat units, themselves converted and expanded from Judy's fast-food units, might be Grace's opening thrust in the casual pub/fast-food market.

Collins Foods disclosed tests of the Lumbercamp, a casual dining unit to open in Houston in March, and Southside Barbecue Co., a barbecued-rib operation just opened in Los Angeles.

Wine List of the Month—P. 62

COMMODITIES

Feedlot cattle population putting damper on prices

The U.S. Department of Agriculture reported at the beginning of the year there were some 10.3 million cattle and calves on the nation's feedlots. This 14% rise over the same period a year earlier is a strong damper on price increases—however, it could herald an expected problem later this year. The problem is in the makeup of the feeder population.

While the number of steers is only up by some 7%, the number of heifers and heifer calves are up by a whopping 28%. This means that ranchers are selling off cattle which would normally be going into increasing the herds. As demand for beef increases in the spring and summer, this could mean a shortage of available cattle for feeding—and a subsequent price increase.

With the long breeding and raising cycle for cattle, the intentions of the ranchers to build or reduce herds is of primary importance to the price structure. Cattlemen have shown a great reluctance to increase herds any great amount over the past three or four years, being happy with higher prices which make cattle raising more profitable. (During periods of low prices, most farmers and ranchers actually lose money on the beef cattle they sell.) With herds kept fairly constant, the price will usually hover about the $1 per pound level at the slaughter houses in the Midwest. By the time the meat gets to the operator, this has been multiplied by about 2½ to 3 times for cutting, packing, handling and transportation. Increased energy costs for transportation and for refrigerated storage have kept pushing the "middlemen's" costs up, and these are reflected in the final price the operator pays. (That $1 per pound is an average for all cuts of Choice grade; steaks and roasts to stewing meat and hamburger quality, including fat and "trim.")

Pork Prices Higher

Pork is moving up in price; as *NRN* closed this issue about three weeks ago, it was nearing the $1.20 level—again at the Midwest slaughter houses—for a loin of Choice grade ranging from 14 to 17 lb. total weight, untrimmed. The 2½ to three multiplier for prices to the operator applies here, too.

Cold weather in some of the Midwest prevented orderly marketing of hogs, which reduces the available supply. Buyers bid against each other for the available pork and push up the prices. However, based upon the U.S.D.A. estimates for hog production, the temporary shortage is not expected to last long, and over a full year the farmers are expected to cut back herds only a slight bit, resulting in increases of only 3%-5% in price. Individual swings up and down will be common, however, just as they have been for the past five years.

Although the chicken producers have indicated they will increase production about 2% this year, the prices of broilers

(Continued on page 75)

PRICE MOVEMENT AT A GLANCE

	Jan. 21 1982	Dec. 21 1982	Jan. 21 1983
Beans, baby lima, frozen, Calif. (lb.)	$ 0.60	$ 0.64	$ 0.64
Beans, green, Fancy cut 4s, canned, MW (6/10)	$ 7.50	$ 8.50-8.75	$ 8.50-9.00
Beans, pinto, dried, Colorado (cwt)	$18.00-18.50	$14.00	$13.00
Beef, Choice, 700-900 lb., Midwest (lb.)	$ 0.99	$ 0.93	$ 0.92
Broccoli, fresh, California (14s)	$10.00-11.00	$ 6.00	$ 4.50-5.50
Broilers, Grade A, icepack, NYC (lb.)	$ 0.4492	$ 0.4565	$ 0.4671
Coffee, Brazilian green beans, NYC (lb.)	$ 1.42	$ 1.36	$ 1.32
Eggs, Grade A, large white, Chicago (doz.)	$ 0.8975	$ 0.665-0.67	$ 0.605-0.61
Lettuce, iceberg, California (24s)	$12.00-15.00	$ 4.00-4.50	$ 3.00-3.50
Pork loins, Choice, 14-17 lb., Midwest (lb.)	$ 1.06	$ 1.06	$ 1.19

Source: NRN Research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Warner grabs for the carrot

Gadgets: Similarity to rivals ends on the customer's plate

By Don Jeffrey

NILES, Ohio—A look around the new Gadgets restaurant in this Youngstown suburb reveals how it got its name. On the walls are kinetic sculptures like a metal bird with wings that actually flap and a rainbow machine with a moving paintbrush sweeping an arc.

But the most interesting gadgets are out of sight. These are levers and motors, and the complex 96-channel computers that control them, located behind a stage on which Bugs Bunny, Daffy Duck, and other bigger-than-life-sized animated Looney Tunes characters sing, dance and act once an hour for diners.

Over in the adjacent cocktail lounge, the most sophisticated gadget is performing. This is Sammy Sands, a computer-controlled, life-sized character who does a nightclub routine. Sammy's programmed to make about 60 movements, including moving his fingers over piano keys as he sings. Meanwhile, in the nearby arcade, teenagers and other youngsters are stuffing quarters into their favorite gadgets—video games like Pac-Man and Popeye.

If all this sounds a little familiar, like some now-famous pizza-and-entertainment chains, then that's where the similarity ends. Executives of this four-unit-and-growing chain say their first and foremost concern is the food.

The menu ranges from popular appetizers like the mozzarella sticks ($3.50) and potato skins ($1.95 to $5.50) to specialty sandwiches, quiches, salads, burgers, desserts and entrees like beef kabob ($8.95), trout almondine ($7.95), Hawaiian chicken ($6.95), and New York strip steak ($11.95).

The only items on the menu that even remotely resemble pizza are the pizza tater—five potato halves scooped, fried and filled with Italian sausage, marinara sauce, mushrooms and mozzarella ($5.25), and the pizza burger ($4.95).

Another thing that distinguishes this chain from other animation/arcade concepts, Gadgets people point out, is that their entertainment has more of an adult appeal. The lounge area, which attracts singles and couples without children, is separated from the dining room and stage section, which attracts families with children.

This new fun-and-food concept represents a unique gamble by $4 billion conglomerate

(Continued on page 75)

A young girl watches intently as Looney Tunes characters Bugs Bunny, Sylvester the Cat and Tweety perform at the newly opened Gadgets restaurant in Niles, Ohio. Gadgets, a Warner Communications-backed chain concept, also features adult entertainment in a separate lounge.

Communications giant fights entertainment, casual chains

By Charles Bernstein

NEW YORK—Warner Communications, with all its diversified muscle, is taking dead aim at carving out a healthy niche of restaurant business for itself with its new Gadgets operation.

It's going up against the corporate power of Nolan Bushnell's Pizza Time Theatre, of Brock Hotels' ShowBiz Pizza and a host of other new entries in the restaurant-entertainment field. But Warner is doing it differently, with no pizza, a prime emphasis on the food and restaurant end of the business, and a patented Looney Tunes cartoon show.

On the food and drink side, Gadgets is competing more with Houlihan's and Bennigan's than with Pizza Time.

"We are primarily a restaurant and certainly not a pizza-show," Warner group executive Ed Watson kept emphasizing from Warner's imposing 29th floor executive offices at 75 Rockefeller Plaza. "Certainly we are utilizing our capabilities in animated cartoons and video games, but at least 80% of our sales will come from food, and we will not keep customers waiting around for their food to play any games."

(With a name like Gadgets, one wonders if a full-food image can be maintained.)

Warner is projecting more of an "adult" and higher-end appeal than its restaurant-entertainment competitors. Although it's hard to visualize adults sitting around watching the Looney Tunes shows, these are presented only once each hour from a stage (for five or 10 minutes) while customers are seated at the tables.

Adults can take it or leave it while their children watch the show. Besides, there is a separate bar and snack-dining area featuring a Sammy Sands animated character who represents a disk jockey from any home town or city. Adults can identify with this character.

While video games are offered in a separate room, the atmosphere is nowhere near as noisy or as crowded with teenagers as are other operations of this type.

There seems to be something for everyone in Gadget's potpourri of varied casual foods and animation. Yet, there are

(Continued on page 75)

Sales in franchised restaurants climb 14% in 1982

By Ken Rankin

NEW ORLEANS—Despite last year's economic slowdown, sales in franchised restaurants climbed 12% and dollar revenues are likely to rise another 14% during 1983, Commerce Department forecasters revealed during the International Franchise Association's convention here.

The department's latest annual report on *Franchising in the Economy,* which was unveiled during the IFA meeting late last month, predicts that the nation's fast-food chains and other restaurant franchisors will open more than 5,000 new units this year, and that total food-service franchise sales will top a record $38.3 billion in 1983.

In an address prepared for delivery at the IFA convention, Commerce Department franchising specialist Andrew Kostecka praised the nation's franchise chain execs for overcoming "the tough economic climate of the past few years" and emerging as "a predominant force in our commercial system."

Franchising "continues to amaze and impress by its ability" to grow regardless of the general economy, "and we in Washington are particularly conscious of the number of jobs it creates," he said.

More than 52,000 new jobs were created within the franchise restaurant sector during 1981 alone, and based on current growth projections, employment opportunities in food-service franchising figure to continue expanding during the next few years, the new Government study indicates.

Noting what he called the "fantastic reproductive powers" of franchising, Kostecka praised fast feeders for helping to keep "the maternity wards of commerce filled."

His speech to IFA chain execs—which went undelivered because of time constraints at the convention—did caution restaurant franchisors that competition within the industry will remain aggressive during 1983, and that some food-service segments will be making midcourse adjustments in order to maintain their growth pace.

Although "sit-down gourmet-type food franchise restaurants and ethnic and health foods will continue to grow," Kostecka predicted that the "intensified competition between the so-called fast-food outlets and more leisurely types of restaurant facilities will persist."

In order to maximize productivity and profits, "more franchisors will encourage customers to eat breakfast in their establishments," and there will be "increased movement to locate restaurants with units of less than full size in high population areas with take-out and drive-thru services," he added.

The Commerce Department franchising expert also predicted increased use of computers "in franchised restaurants to speed up service, cut costs, and simplify schedules and inventory control."

At the same time, however, Kostecka urged franchisors to re-evaluate business practices that may have worked in the past but are no longer suited for the future.

"In particular," he said, "franchisors must get away from worrying about short-term returns and start looking at long-term, productivity-improving, higher-risk investments, as our foreign competitors have done."

FINANCIAL NEWS

Suppliers claim modest gains despite slack spending

NRN Special Report

NEW YORK—Several major food-service suppliers reported modest profit gains for their latest quarters, despite a general slowdown in consumer spending for food.

In some cases write-offs or other special situations boosted flat or declining income from operations.

At Chicago-based Quaker Oats Co. net income for the second quarter ended Dec. 31 was up 14% to $26.9 million compared to the same period a year earlier. Sales for the period slipped 2.6% to $708.9 million.

Quaker Oats president William D. Smithberg said the results reflected "good" sales in American and overseas grocery markets. Others noted Quaker's grain costs had declined on a year-to-year basis.

General Foods, meanwhile, reported a 25.6% pickup in profit for its third period ended Jan. 1 to $51.1 from $40.7 million a year earlier. Sales for the period were off 5.2% to $2 billion.

General Foods operating income for the period actually slipped, too. The big profit gain was boosted by a $12.4 million charge against the year earlier quarter for write-offs associated with its sale of Burger Chef to Hardee's.

Cleaning products and food giant Procter & Gamble reported from Cincinnati headquarters it had registered a 9.9% profit gain for its second quarter ended Dec. 31 to $210 million.

P&G included in the latest figures $7 million gained from an issue of 200,000 new shares of common stock. The company added $30 million in debt in making the issue.

For its final quarter of fiscal 1982 ended Dec. 31 Dart & Kraft reported a leap in profit from $11.6 million in the 1981 quarter to $117.1.

Sales for the quarter fell 3.9% to $2.54 billion.

Chairman John M. Richman noted that despite the gain operating profit had actually fallen 3.2% for the period. The company enjoyed large gains, meanwhile, from nonoperating areas: antitrust settlements, foreign currency deals and sales of some of its properties.

Morrison's continues strong showing

MOBILE, Ala.—The prospect of a mild winter in many of its key market areas promises to help Morrison's Inc. achieve its seventh consecutive quarter of above-average growth in earnings and profits.

According to its chief financial officer, vice president for finance and administration James Lambert, the company will probably post at least a 17% increase in net profit and revenues when third quarter results come in at the end of the February.

The company, the operator of 149 cafeterias and 20 Ruby Tuesday's casual theme dinnerhouses, netted $8.6 million for the first six months ended Nov. 27—up 20% on a 18% rise in revenues to $206.8 million.

Morrison's, whose operations are focused in the deep South, achieved such results at a time when many companies in the region are suffering the effects of an ever-deepening national recession.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Jan. 28							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year			Last Fiscal Year (Per Share)		
Name	Symbol	High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	6.00	5.25	5.88	.00	.00	7.88	3.63	-.21	2.73	-.65	13.83	.05	-.42 F	-89.3	-16.0	.3	117.5	.00	.0	01-06-81	27.7	1.2	2.4	5.69	2.90	1081
Am Motor Inns	INN	29.63	27.00	29.00	-.25	-.85	30.50	14.75	.04	.54	-1.25	32.43	2.10	.45 Q	25.4	29.0	7.0	13.1	.25	.9	12-26-82	161.4	11.3	1.6	15.08	13.00	0782
ARA Services	ARA	37.00	33.75	35.75	-.75	-2.05	38.00	23.50	-.16	.40	-2.83	-6.07	3.43	-.57 F	-14.2	-2.0	1.4	10.4	2.00	5.6	11-24-82	2805.6	38.9	1.1	22.39	44.25	0982
Assoc Hosts	AHST	12.13	9.88	11.88	.63	5.56	12.13	5.00	1.07	4.50	4.37	6.69	.58	-.08 F	-12.1	-11.0	2.2	20.5	.12	1.0	12-06-82	78.6	1.7	1.6	6.60	7.58	0982
Beefsteak Char	BCS	7.13	6.38	7.00	.00	.00	8.25	3.38	.27	1.22	4.61	16.47	.88	.26 F	41.9	34.0	3.6	8.0	.00	.0	00-00-00	86.2	2.1	1.2	1.49	3.09	1081
Bob Evans Farms	BOBE	26.06	25.50	26.00	.69	2.72	29.06	14.66	-.44	-.37	2.68	6.81	1.09	.06 S	5.9	22.0	7.9	24.3	.30	1.2	01-18-83	173.4	13.7	1.7	.00	5.17	0482
Bonanza Intl Inc	BNZA	3.25	3.13	3.13	.00	.00	3.75	1.06	-.35	-.41	1.82	-23.64	-3.33	-.69 N	NE	-62.0	-61.8	NE	.00	.0	00-00-00	24.1	-14.9	1.2	11.24	1.50	1281
Brock Hotel Cp	BHC	9.50	8.63	9.25	.50	5.71	17.50	7.50	.20	-.49	-7.55	10.66	.59	.30 N	73.1	23.0	4.3	13.0	.10	1.1	12-13-82	165.1	7.1	1.2	11.01	3.90	1281
Calny Food	CLNY	14.25	11.75	14.25	2.75	23.91	14.25	4.91	.59	3.34	-4.20	33.08	.74	.50 N	119.0	9.0	3.2	15.5	.20	1.4	01-27-83	37.0	1.2	.6	1.01	1.51	0282
Carrols Develop	CRL	12.38	10.38	12.00	.00	.00	12.50	4.13	.13	1.76	1.36	-19.32	.66	.45 S	73.7	21.0	1.9	11.3	.11	.9	12-20-82	68.6	1.3	.6	9.82	5.99	0582
Chart House	CHHO	23.50	20.63	23.13	.63	2.78	28.13	15.88	-.79	2.38	2.27	18.13	2.03	.16 N	8.2	13.0	5.0	11.0	.60	2.6	12-27-82	353.9	17.7	.9	14.53	10.14	1281
Chi-Chis	CHIC	26.63	23.13	26.63	3.38	14.52	26.63	7.91	.17	1.86	-1.72	-9.78	.37	.18 S	60.0	26.0	11.1	55.5	.00	.0	12-20-82	14.9	2.1	3.1	.74	.82	0481
Ch Full O Nut	CHF	15.00	13.75	13.75	-1.00	-6.78	18.25	9.25	-.04	-1.55	-2.14	6.51	.34	-.23 Q	-38.3	-13.0	1.4	37.2	.40	2.9	12-09-82	115.8	1.6	3.1	.43	5.97	0782
Churchs Fr Ch	CHU	36.75	32.75	34.88	-1.63	-4.45	40.75	25.00	-.42	.38	.29	31.17	3.52	-.06 N	-1.7	16.0	10.8	10.2	1.00	2.9	01-24-83	412.1	44.6	1.9	1.02	15.25	1281
Cindys Inc	CNDYC	3.25	3.00	3.13	-.25	-7.41	3.88	2.63	-.99	-.83	-6.01	37.88	-.06	1.37 F	NE	NE	-.6	NE	.00	.0	00-00-00	17.0	-.1	.0	7.17	.29	1281
Collins Foods	CF	20.00	18.25	19.38	.00	.00	22.63	8.53	-.42	.82	.64	-25.67	1.69	.50 S	33.1	15.0	3.2	9.6	.24	1.2	12-23-82	298.0	9.6	1.3	7.44	10.69	0482
Consul Corp	CNSL	12.88	11.88	12.75	-.13	-.97	12.88	5.25	.35	1.11	.07	-15.36	.00	-.12 S	-70.5	NE	.0	255.0	.00	.0	00-00-00	17.6	.0	.7	2.21	2.88	0582
Cracker Barrel	CBRL	20.75	19.75	20.00	-.25	-1.23	22.50	7.75	-.14	-.62	-3.43	-34.16	1.03	.05 Q	4.6	19.0	3.7	17.7	.00	.0	00-00-00	35.4	1.3	1.9	5.35	6.69	0782
Dennys Inc	DEN	35.00	27.13	30.00	.25	.84	36.88	19.19	-.59	.92	.48	-10.23	2.47	.29 S	12.7	9.0	3.9	11.7	.64	2.1	03-04-83	955.7	36.8	1.4	15.81	15.02	0682
Dunkin Donuts	DUNK	17.34	16.84	17.00	-.34	-1.98	18.94	7.41	-.13	-.46	-.99	-3.01	1.40	.19 F	15.7	19.0	8.8	12.1	.24	1.4	02-07-83	68.7	5.7	1.3	7.63	7.07	1081
Frischs	FRS	15.00	12.88	15.00	2.38	18.81	15.00	7.09	-.39	3.36	-.59	45.20	1.80	-.15 S	-8.7	14.0	3.8	9.6	.40	2.7	11-29-82	101.0	3.8	1.5	6.23	13.58	0582
Godfathers Pizza	GFPZ	20.63	17.38	20.25	2.75	15.71	20.63	9.63	.84	.84	5.85	-15.88	.58	.63 N	NC	130.0	16.0	32.1	.00	.0	00-00-00	33.8	5.4	2.0	.76	1.01	1281
Hambrg Hamlet	HAMB	7.50	6.75	7.50	.75	11.11	8.25	5.00	.62	1.30	-1.60	-15.00	1.35	.50 S	81.9	-8.0	3.2	6.8	.00	.0	00-00-00	31.6	1.0	.7	20.45	13.07	0382
Hardwicke	HAWK	1.75	1.50	1.63	.13	8.33	3.88	1.00	2.12	1.48	-7.21	.00	-2.22	-5.08 N	-336.8	-63.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.38	8.12	0981
Hilton Hotels	HLT	44.13	41.00	42.13	-1.13	-2.60	52.00	27.63	-.65	-.09	-.65	-9.71	3.12	-1.10 F	-26.0	17.0	13.4	13.5	1.80	4.3	02-28-83	539.3	112.6	2.0	4.48	19.98	1281
Holiday Inns	HIA	39.75	34.25	37.88	-1.63	-4.11	40.25	23.75	.12	.63	-3.39	-6.46	3.66	.57 N	20.1	22.0	7.8	11.1	.80	2.1	12-13-82	1765.1	137.4	.8	20.99	25.33	1281
Holiday Inns A	HIA A	54.00	54.00	54.00	-5.00	-8.47	59.00	37.00	.17	-.76	.19	-50.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	25.00	22.38	23.25	-.13	-.53	25.63	9.22	-.12	-1.06	-2.77	16.74	.95	.05 N	5.5	30.0	2.7	24.5	.00	.0	09-27-82	166.1	4.5	1.7	11.45	6.30	1281
Hungry Tiger	HTIG	10.25	9.00	10.00	-.25	-2.44	10.25	4.00	.38	1.62	-2.84	2.09	.78	-.01 Q	-1.4	8.0	3.8	14.5	.00	.0	11-15-82	55.9	2.1	.6	4.91	5.57	0882
Imperial Grp	IMT	2.00	1.81	2.00	.13	6.67	2.00	1.31	.02	.51	-2.86	50.00	.24	.00 F	.0	2.0	2.0	8.3	.14	7.0	09-28-82	8462.9	171.0	1.1	.65	2.08	1081
Intl Dairy Queen	INDQ	24.25	23.75	24.25	.25	1.04	24.75	9.50	.07	-.22	-3.38	39.52	2.17	.45 F	26.1	37.0	6.2	11.2	.00	.0	00-00-00	91.3	5.6	1.1	9.68	5.82	1181
Int King Tab	IKNG	10.13	9.88	10.00	-.13	-1.23	10.50	1.75	.28	-.52	-2.10	-22.05	.33	1.00 S	NE	.0	1.4	15.4	.00	.0	10-09-79	36.6	.5	.3	4.09	3.77	0682
JBs Rest	JBBB	12.50	10.50	12.38	.88	7.61	12.50	4.25	.30	3.15	-2.19	-25.08	.93	.27 Q	39.1	12.0	3.5	12.9	.16	1.3	10-29-82	45.1	1.6	.9	6.38	5.84	0982
Jerrico Inc	JERR	23.38	22.13	23.00	.13	.55	29.38	15.88	-.72	.42	8.23	20.22	1.75	-.12 Q	-6.6	23.0	5.1	13.6	.12	.5	11-05-82	425.5	21.8	.9	3.64	11.24	0682
Kapok Tr Inns	KTI	4.75	4.38	4.75	.25	5.56	4.75	3.00	.11	-.28	.48	30.61	-.37	-.13 F	NE	-31.0	-6.1	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.93	5.84	0981
Kelly-Johnston	KEJO	21.38	19.75	19.75	-.50	-2.47	24.50	9.34	-.19	-1.39	-1.30	25.70	.59	.14 S	30.4	106.0	8.4	32.9	.00	.0	10-13-82	17.9	1.5	.9	.89	4.40	0382
Karcher Carl	CARL	24.00	20.75	23.00	-.25	-1.08	24.00	8.88	.31	1.44	.82	3.31	1.51	1.78 N	NC	17.0	3.4	12.9	.00	.0	00-00-00	200.6	6.9	1.9	6.43	8.34	0182
Lubys Cafe	LUB	39.88	37.25	37.50	-2.00	-5.06	40.75	24.50	-.21	-.72	-2.35	-44.73	1.69	.24 Q	15.8	21.0	9.1	21.4	.60	1.6	12-13-82	127.3	11.6	1.9	.80	8.49	0882
Marcus Corp	MRCS	11.38	9.63	10.25	.75	7.89	11.38	5.38	.65	-.98	.62	-28.55	1.13	-.09 S	-7.3	3.0	5.7	9.0	.00	.0	08-24-81	103.8	5.9	.8	2.98	9.76	0582
Marriott Corp	MHS	59.25	53.25	53.88	-5.63	-9.45	61.88	32.00	-.31	-.62	4.22	12.06	3.20	.29 N	9.5	29.0	4.3	16.1	.36	.7	12-20-82	2000.3	86.1	.9	23.23	16.12	1281
McDonalds Cp	MCD	59.88	54.88	58.50	1.00	1.74	65.63	39.09	-.27	.72	-3.22	1.92	4.36	.65 N	15.4	18.0	10.7	12.0	.88	1.5	10-15-82	2477.2	264.8	.5	15.35	22.73	1281
Morrison Inc	MORR	19.88	17.38	18.75	-.63	-3.23	19.88	8.50	.39	1.45	-.99	5.67	1.16	.33 S	33.6	8.0	4.1	14.3	.36	1.9	01-03-83	364.3	15.1	1.4	2.95	7.90	0582
Mr Steak	MSST	2.50	2.25	2.38	-.13	-5.00	3.38	1.75	-.42	.85	.58	24.19	-.98	-1.20 F	-545.4	-29.0	-2.9	NE	.00	.0	05-29-80	55.7	.3	1.4	3.45	4.70	0981
Nathans	NATH	2.38	2.38	2.38	.00	.00	2.50	.72	.78	-.82	-5.16	-8.82	.03	.80 S	NE	NE	.6	23.8	.00	.0	09-09-82	16.7	.1	.5	.10	1.73	0382
Naugles	NAUG	18.25	17.25	18.00	-.25	-1.37	21.50	6.84	-.25	-.35	-5.01	32.97	.78	.83 Q	NC	48.0	3.9	21.7	.00	.0	11-01-82	55.8	2.2	.4	8.04	2.73	0682
Oakbrook Cons	OKCO	14.50	14.50	14.50	.00	.00	14.50	9.00	-.01	-.76	-1.60	25.00	1.74	-.83 N	-47.9	3.0	1.3	16.1	.32	2.2	12-29-82	133.4	1.7	.8	5.60	13.02	0981
Orange-co	OJ	5.38	4.88	5.13	.13	2.50	11.13	4.38	.23	.31	-3.78	-8.28	-.25	-1.69 Q	-156.4	-26.0	-.8	NE	.20	3.9	02-22-82	74.0	-.6	1.3	13.28	4.63	0882
Peoples Rest	PEPL	8.63	7.50	7.88	-.25	-3.08	9.88	2.88	.57	.63	-.19	31.66	.19	.21 Q	NC	73.0	13.8	37.5	.00	.0	00-00-00	5.8	.8	.5	.75	2.39	0682
Piccadilly Caf	PICC	15.63	14.13	15.00	-.50	-3.23	18.13	13.50	-.66	.00	3.05	25.90	1.39	-.11 S	-7.8	12.0	5.9	11.5	.56	3.7	12-09-82	142.6	8.4	1.9	.00	7.29	0682
Pizza Inn	PZA	8.75	7.38	8.00	.13	1.59	8.75	4.50	1.01	.84	3.15	2.88	.50	-.17 N	-27.4	-8.0	1.0	17.8	.00	.0	00-00-00	133.5	1.4	.9	12.94	6.65	1281
Pizza Time Thea	CHKY	20.25	16.00	20.25	1.75	9.46	32.50	14.25	.54	5.21	-1.67	36.22	.58	.78 N	229.4	42.0	7.2	18.1	.00	.0	00-00-00	36.2	2.6	3.2	.81	7.87	1281
Ponderosa Sys	PON	18.00	16.00	16.63	-.75	-4.32	19.50	8.00	-.12	-.59	-.95	18.57	1.34	.66 N	69.4	-6.0	2.4	10.3	.33	2.0	01-07-83	353.9	8.5	1.0	13.32	11.23	0282
Ramada Inns	RAM	6.38	5.63	6.00	.00	.00	6.50	4.25	.63	.50	-1.05	-1.15	.05	-.60 N	-272.7	-24.0	.4	NE	.00	.0	10-19-81	395.5	1.4	.6	18.98	6.03	1281
Restaur Assc	RA	7.00	6.13	6.75	.38	5.88	7.50	3.25	.53	1.14	2.76	-30.93	.97	-.32 N	-32.6	42.0	2.4	10.2	.00	.0	00-00-00	99.2	2.4	1.3	3.17	6.38	1281
Saga Corp	SGA	44.00	39.75	43.00	-1.00	-2.27	44.50	18.63	.18	1.32	-2.52	-11.80	3.35	.78 S	25.2	41.0	1.9	11.1	.56	1.3	11-15-82	901.0	16.8	.9	8.51	17.72	0682
Sea Galley	SEAG	7.75	7.38	7.75	.13	1.64	10.63	5.50	.56	.26	-1.38	-2.06	.68	-.17 N	-24.6	45.0	4.5	14.9	.00	.0	06-02-81	49.0	2.2	1.8	2.38	4.99	1281
Servico Inc	SRVI	13.75	12.00	13.75	1.25	10.00	13.75	7.03	.73	-.54	1.38	14.14	1.54	-.82 N	-43.6	61.0	3.5	13.0	.00	.0	07-09-82	126.4	4.4	1.1	50.99	5.46	1281
Shoneys Inc	SHON	32.38	29.38	29.88	-1.63	-5.16	32.38	12.63	.15	-.46	.71	-3.20	1.60	.57 F	55.3	25.0	6.1	18.7	.20	.7	01-05-83	268.7	14.8	1.0	1.97	5.03	1081
Skippers	SKIP	9.50	8.25	9.25	.50	5.71	9.50	4.25	.78	2.66	2.54	29.22	.73	-.46 N	-46.0	4.0	3.0	17.1	.08	.9	10-18-82	33.7	1.0	1.2	3.45	6.07	1281
Sonesta Hotel	SNSTZ	16.50	16.00	16.50	.50	3.13	16.50	8.50	.25	-.77	-.04	-35.71	.94	-.70 N	-40.2	39.0	1.4	15.9	.20	1.2	06-25-82	145.0	2.1	.9	27.74	10.01	1281
So Hospitality	SHOS	5.25	4.38	5.25	.88	20.00	5.25	1.00	1.68	2.26	3.33	36.64	.14	.19 S	NC	23.0	2.5	27.6	.00	.0	00-00-00	20.3	.5	1.0	2.29	-.20	0582
Steak n Shake	STAK	3.88	3.50	3.88	.19	5.08	4.00	2.50	-.23	1.61	-1.13	12.91	.18	.12 F	200.0	-28.0	1.4	21.5	.00	.0	05-17-79	56.5	.3	1.2	4.60	2.60	0981
Victoria Stations	VSTA	6.88	6.13	6.88	.75	12.24	11.00	5.00	.14	1.37	.33	35.38	.35	.58 S	NE	-38.0	1.0	NE	.00	.0	09-19-79	123.4	1.2	1.0	7.67	10.49	0382
Wendys Intl	WEN	14.88	13.50	14.00	.00	.00	16.75	8.16	-.38	-.09	-.13	-4.86	1.01	.10 N	10.1	18.0	7.6	12.8	.24	1.7	11-26-82	486.0	36.9	.6	2.56	5.27	1281
Webb Del E	WBB	12.38	10.13	11.25	-.75	-6.25	12.38	4.88	.26	1.07	3.03	-.80	.56	.81 N	NE	-24.0	1.3	20.5	.00	.0	11-07-80	414.8	5.3	1.1	16.12	13.25	1281
Winners Cp	WNER	16.63	15.38	15.88	-.63	-3.79	16.63	7.13	.20	.27	-.40	-28.72	.67	.84 N	NC	6.0	2.1	18.9	.00	.0	00-00-00	72.7	1.5	.3	13.37	7.09	1281

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

Outlook mixed for major food-service chains

MIDDLETOWN, N.J.—Friendly Ice Cream, Hardee's, Burger King and Pizza Hut led the way in real sales gains for December, showing respective 14%, 10%, 9% and 9% increases over the previous December.

In Carl DeBiase's Restaurant Industry Trends' extensive monthly surveys of 17 leading chains, Denny's, Long John Silver's and Church's slumped with respective 3%, 3% and 2% real sales dropoff from the previous December. Meanwhile, Sambo's started to show positive results for the first time in months, with 2% real sales increases attributable to initial switches to a new Season's format.

(Real sales figures, representing the increase in total sales of comparable restaurants minus the past year's menu price rises, give an indication of customer count patterns.)

Menu prices are again climbing for the 17 chains as evidenced by an average 4% price increase for December, compared with the previous December. This increase had been 3.8% in October and 3.4% in November.

Total comparable sales for the 17 chains jumped 7.3% over the previous December and real sales rose 3.3%, following a 4% real sales rise in October and 2.9% in November.

For the fourth quarter of 1982, DeBiase listed hamburger chains as showing a 5.6% real sales gain while coffee shop chains rose only 2.8%.

A curious discrepancy arose between the 7.3% total December sales increase of the 17 major chains, contrasted with a 15% increase for all eating and drinking place sales as reported by the U.S. Department of Commerce.

"We may have to scale down for the time being the role some of the major chains are playing in determining industry sales trends," DeBiase declared.

But Prudential-Bache's Michael Culp, in his latest report, contrasted the U.S. Commerce Department's estimated 8% real sales rises for eating places "with the world as seen through the eyes of those who operate in it."

He depicted customer counts as actually being "back in the red in real terms" and said that "conditions have been deteriorating in recent months, not strengthening."

Culp expressed the conviction that "the restaurant industry is weakening in the face of further deterioration in the overall economy, and no material pickup in traffic will be evident until mid-1983 at the earliest."

Nobody will notice "even if traffic turns during the seasonally slow winter," Culp asserted. "This turn of events is especially discouraging because the restaurant industry appears to function as a leading economic indicator both late in economic recoveries and late in recessions. It should be turning up now if the rest of the economy is to be in a recovery by spring. It isn't."

This outlook is projected even through figures indicate that restaurant sales increases are outpacing those of food stores. The latter's total sales rises were under 5% in the fourth quarter, with real sales growth less than 2%.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Saga Corp.	13 wks. 26 wks.	12/25			$270.606 477.088	7.9 7.3	$ 10.022 444.348	26.8 28.2
Piccadilly Cafs.	13 wks. 6 mos.	12/31	$39.837 77.725	7.4 8.3			2.495 4.464	(16.2) (11.5)
Beefsteak Chas.	12 wks. 12 mos.	10.30			22.824 99.028	5.3 12.9	1.005 4.082	65.2 32.5
Int'l Dairy Q.	13 wks. 12 mos.	11/30			19.644 99.308	9.1 7.1	$879,442 6.161	24.1 10.4
JB's Rests.	12 wks.	12/19			11.275	18.6	$386,006	18.3
Denny's Inc.	13 wks. 26 wks.	12/24			253.799 523.147	9.9 6.7	8.973 21.068	5.0 9.4
Hilton Hotels	13 wks. 26 wks.	4 qtr.			152.000 620.500	(3.2) 1.3	18.800 83.400	(35.8) (25.9)
Ryan's Fam. Steak H.	13 wks. 12 mos.	12/29			2.841 9.788	44.9 21.6	$312,000 $974,000	68.6 47.3
Chart House Inc.	13 wks. 12 mos.	12/31			97.676 382.047	70.3 77.3	5.637 18.716	58.9 56.1
Jerrico Inc.	13 wks. 6 mos.				109.815 226.208	6.5 6.5	4.701 10.406	(8.7) (10.9)
Sandwich Chef Inc.	13 wks.	1/1	4.475 9.163	12.8 16.0			$167,313 $382,734	6.8 9.6

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Airlines' operating results grounded in 4th quarter

Major airlines reported poor operating results for the final fiscal quarter of 1982.

Still afflicted by recession induced slack travel both United Airlines and Trans World reported large operating losses.

Both company's parents, however, turned in overall gains for the period.

UAL Inc., which owns United and also has large interests in hotels and resorts said it enjoyed last period earnings of $52.2 million compared with a loss of $65.1 million for the same period in 1981. Revenues for the period picked up 4.9% to $1.28 billion.

At Trans World, meanwhile, the fourth period brought a $9.8 million profit to match with $11.9 million in red ink in the comparable 1981 quarter. The big gain was not helped by the company's airline operation which registered a $24.7 million loss for the last quarter. The airline lost $50.1 million during the 1981 period.

Trans World's fourth quarter revenues were off 2.4% to $1.21 billion.

Holding flat in reported earnings for the period was USAir, which posted a $12 million profit for their fourth quarter as against a $12.6 million profit in 1981.

USAir's final quarter revenue jumped from $294.3 million in 1981 to $326.7 million last year.

At Miami-based Eastern Airlines fourth quarter net profit was reported at $12.2 million. This includes $50 million in non-operating gains from the sale of tax credits on leasing transactions.

For the 1981 fourth quarter Eastern had logged a $26.7 million loss. Revenues for the period ended Dec. 31 were put at $937.4 million.

Bob Evans nets $16.3M from stock sale

COLUMBUS, Ohio—Bob Evans Farms netted $16.3 million in January from the sale of 660,000 shares of common stock. The sale, priced at $26 per, brought the number of outstanding shares to about 13.1 million.

Most of the proceeds will be used to finance construction of new restaurants. The company operates 90 family restaurants in seven states and plans 14 new units this year. The company also manufactures and markets sausage products in 16 states.

The offering was made soon after, and was adjusted for, a 4-for-3 stock split.

Pizza Time net profit soars 189% in fiscal '82

SUNNYVALE, Calif.—Pizza Time Theatre Inc. has posted a 189% increase in net earnings for fiscal 1982 ended Dec. 30—a year when the number of units increased by 132% systemwide. Net income was $7.5 million on revenues of $99.3 million, compared to $2.6 million on revenues of $36.2 million in 1981.

At the end of fiscal '82 Pizza Time units numbered 204 vs. 88 at the end of fiscal '81.

The 174% increase in total revenues included $82.6 million from company-operated stores and $16.7 million from franchised outlets, increases over 1981 of 179% and 150%, respectively. At the end of 1982 there were 109 company stores and 95 franchised, compared to 44 of each at the close of 1981.

In the fourth quarter ended Dec. 30 systemwide revenues advanced 143% to $34.1 million, while net income rose 78% to $1.9 million, compared to the fourth quarter of 1981.

The company reported that labor cost for company units was 24.1% of sales for the fourth quarter.

Total cost of sales for a company store was 42.8%; operating profit was 16.2%. The net results for company units included a negative year-end adjustment of $550,000 to increase depreciation on leasehold improvements and games, of which $300,000 applied to prior fiscal periods.

Pizza Time also reduced its cumulative tax provision from 27.5% estimated at the end of the third quarter to 14.9% for the full year. The adjustment reflected revised estimates for revenues and increased investment tax credit.

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January 21, 1983

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